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# Tassal Group Limited

Annual General Meeting

3 November 2005

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## Chairman's Presentation

### Overview

The Board of Directors are pleased with the Company's result for the financial year ended 30 June 2005. The financial year was characterised by a challenging market environment in the first 6 months. To effectively deal with this market environment, the Directors pursued the acquisition of Aquatas (completed on 18 March 2005) and put in place further cost reduction initiatives to record a solid result for the financial year.

Tassal expects to achieve a substantial increase in both financial and operational performance in the coming financial year due to both the acquisition of Aquatas and the resulting forecast underlying synergies, together with the significant improvements that Tassal has made in its core marine and processing operations. Tassal has substantially reduced both its growing and processing costs with the benefits of these cost reductions to be reflected in the 2006 and 2007 financial years and then on an ongoing sustainable basis.

The Strategic Plan for Tassal is:

- to be globally cost competitive in the production of Salmon;
- then
- to position Tassal to become Australia's leading producer, distributor, seller and marketer of quality seafood products.

Overall, Tassal has been the catalyst for the development of a new, sustainable and robust Tasmanian Salmon industry. The platform is in place for Tassal to build into a regionally competitive and dominant Salmon producer, distributor, seller and marketer. We have now put in place a solid financial and operating platform for Tassal and we are truly excited by the future prospects for Tassal.

## FY2005: Highlights



- Post SGARA & DOA EBIT of \$11.4m, NPAT of \$6.3m. Pre SGARA & DOA EBIT of \$10.4m, NPAT of \$5.3m
- Normalised pre SGARA & DOA NPAT of \$5.8m after backing out non-recurring items.
- Final dividend of 2.5cps
- Continued focus on further reducing operating costs in both marine and processing environment
- Not yet seen the full effect of cost reduction initiatives
- Domestic market salmon sales by Tasmanian growers increased by 15% in FY2005
- Fast tracked restructuring costs in FY2005 to bring forward achievement of synergies in FY2006

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### **FY2005: Highlights**

The highlights for FY2005 were:-

1. Post SGARA & DOA EBIT of \$11.4m, NPAT of \$6.3m. Pre SGARA & DOA EBIT of \$10.4m, NPAT of \$5.3m
2. Normalised pre SGARA & DOA NPAT of \$5.8m after backing out non-recurring items. Pre-tax non-recurring items of \$0.7m (post-tax \$0.5m)
3. Final dividend of 2.5cps paid on 31 October 2005. DRP was supported with a participation rate of 70%
4. Continued focus on further reducing operating costs in both marine and processing environment to optimise both operational and financial resources
5. Not yet seen the full effect of cost reduction initiatives ... FY2006 expectations are for a further improvements in marine growing costs, processing costs and overheads, together with a full year earnings stream from the Aquatas acquisition
6. Domestic market salmon sales by Tasmanian growers increased by 15% in FY2005
7. Fast tracked restructuring costs in FY2005 to bring forward achievement of synergies in FY2006
8. Proactively pursued improvements in the management of both workplace risk and safety performance, with the lost time injury rates during the peak processing period showing a pleasing 26% improvement over the prior reporting period
9. The recruitment of the following key personnel:
  - Mark Asman – General Manager – Marine Operations
  - Dale Williams – General Manager – Domestic and Export Markets
  - Allan Marven – Processing Restructuring Consultant
  - Dave Pashley – Head of Processing
  - Nick Petracca – Head of Risk
  - Kaylene Little – Head of Human Resources

## Outlook for FY2006



- On track for a significantly higher operating result and NPAT for FY2006 which is in-line with Analyst research reports
- Tassal positioning to be globally cost competitive
  - Operational team in place
  - Tassal continues to proactively pursue a number of priorities and initiatives to underpin and improve business performance
  - Successful implementation of near term operational improvements will lead to a foundation for sustainable profitable growth

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### Chief Executive Officer's Presentation

Tassal is on track for a significantly higher operating result and NPAT for FY2006 which is in-line with Analyst research reports. The domestic market for the Tasmanian Salmon growers has achieved a 22% growth for calendar year 2005 (15% for FY2005), with 26% growth for the first quarter of FY2006 as compared to the same period for FY2005. Globally, calendar year 2005 has seen higher Salmon prices in both the United States, Europe and Japan and industry analysts are optimistic that calendar year 2006 will be on par with the year 2000 (which was referred to as the "Golden Year"). We are currently operating in a buoyant Salmon market and our financial results for the first quarter for FY2006 reflect this position. We will monitor the sustainability of this growth and also the level consumer spending for the coming key Christmas and Easter periods.

Our primary strategy is for Tassal to be globally cost competitive in the production of Salmon. To this end, the following key initiatives have been put in place:

#### **Operational Team**

We now have in place the operational personnel in place to ensure that we are able to become cost competitive. The following key appointments have been made in calendar year 2005 in the marine and processing environments:

- Mark Asman – General Manager - Marine Operations, with significant farming experience in Chile and Canada. The Marine Operations team now has employees with experience from Chile, Canada, Norway, USA and Scotland. From the acquisition of Aquatas to 31 October, employee numbers have reduced from 209 to around 150.
- Allan Marven – Processing Restructuring Consultant – was brought into the business with 40 years experience in the Poultry industry to drive the processing rationalisation process. Current employee numbers are around 85 people less than the same time last year for the combined Tassal and Aquatas businesses.
- Dave Pashley – Head of Processing – arrives in Australia on 3 January 2006 with 31 years experience in the Canadian Salmon industry.

## Outlook for FY2006



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- Tassal continues to proactively pursue a number of priorities and initiatives to underpin and improve business performance
    - Marine rationalisation drive gathers momentum
    - Renewed risk management and employee safety platforms
    - Processing infrastructure rationalisation locked away
    - New brand architecture unveiled
    - New market and product focus pushes new barriers
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### **We continue to proactively pursue a number of priorities and initiatives to underpin and improve business performance:-**

- Operational Initiatives – Tassal is focussed on marine infrastructure and process consolidation, together with improved fish husbandry and feed management practices to drive improved fish size and survival, which in turn underpins a reduction in the cost of marine production
- Health and Safety Initiatives - Continued improvements in safety performance will be driven across all business units, to build on the gains made in FY2005
- Process Initiatives – Continued rationalisation initiatives and efficiency gains in processing through improved fish harvest biomass, the closure of processing facilities, ongoing automation and an improvement in processing flow
- Revenue Initiatives – Focus on the implementation of a refined branding strategy to rationalise the Tassal Group’s range of brands and utilise “Tassal – Pure Tasmania” as the hero brand
- Market Initiatives – A renewed search for new markets and products both domestically and in export markets

## Outlook for FY2006

- Successful implementation of near term operational improvements will lead to a foundation for sustainable profitable growth
  - Increase fish size
  - Lower feed conversion ratios
  - Improved survival rates
  - Increased processing throughput and efficiencies
  - Rationalisation of sites and plant
  - Cost reduction and other acquisition synergies

**Successful implementation of near term operational improvements will lead to a foundation of sustainable profitable growth domestically and ultimately in regional Asian and Pacific markets.** This will be achieved by:

- Increased fish size – through
  - the increased use of lighting = more feed opportunities and decreased maturation
  - automatic feeders = more feed events
  - new moorings = utilisation of better flow sites
  - increased net sizes = improved “in-pen” environment
  - increased pen sizes = better “in-pen” environment and less pen transactions
  - Selective Breeding Program
- Lower feed conversion ratios – through
  - automatic feeders = more feed events and improved feed flow
  - new moorings = utilisation of better flow sites
  - Selective Breeding Program
- Improved survival rates – through
  - new moorings = improved stock security
  - increased net sizes = lower disease risk
  - Selective Breeding Program
- Increased processing throughput and efficiencies - through
  - increased fish size
  - reduced employee numbers
  - increased automation
- Rationalisation of sites and plant
- Cost reduction and other acquisition synergies
- Capital expenditure program in place